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IDAHO PUBLIC  
UTILITIES COMMISSION

September 3, 2014

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-13-16  
Selective Catalytic Reduction ("SCR") Controls on Jim Bridger Power Plant  
("Bridger") Units 3 and 4

Dear Ms. Jewell:

In Order No. 32929, the Idaho Public Utilities Commission ("Commission") directed Idaho Power Company ("Company") to submit quarterly reports updating the Commission on any changes to environmental policy or regulations until such time as the Bridger upgrades are installed and placed in service. The enclosed materials indicate that the Company still expects the SCRs on Units 3 and 4 will be placed in service by December 31, 2015, and December 31, 2016, respectively.

Please note that the attachment to this report is commercially sensitive and if disclosed freely could subject Idaho Power or its customers to risk of competitive disadvantage or other business injury. Consequently, the attachment will be provided separately to those parties that have signed the Protective Agreement in this matter. The undersigned attorney, in accordance with RP 233, certifies that this monthly report contains information that is a trade secret or privileged or confidential as described in *Idaho Code* § 9-340, *et seq.*, and § 48-801, *et seq.*, and as such is exempt from public inspection, examination, or copying.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt

Enclosures

cc: Service List  
RA files  
Legal files  
Tim Tatum  
Kelley Noe

### **3<sup>rd</sup> Quarterly Report for the Jim Bridger SCR Upgrade at Units 3 and 4** **September 3, 2014**

This quarterly report provides an update as to the current status of environmental policies or regulations that are relevant to the construction of the Selective Catalytic Reduction ("SCR") controls at Jim Bridger Units 3 and 4 as well as a status update on Idaho Power Company's ("Idaho Power" or "Company") efforts on performing a new Coal Unit Environmental Investment Analysis ("Coal Study"). This report also provides a construction progress update for the SCR installation project through July 31, 2014, and a schedule of major construction milestones. Finally, a summary of actual project costs and a forecast of total project costs as of June 30, 2014, are provided as a confidential attachment to this report.

#### **Environmental Regulations Update:**

##### **Clean Air Act Section 111(d) for existing power plants**

On June 2, 2014, the Environmental Protection Agency ("EPA") released its draft proposal to regulate CO<sub>2</sub> emissions from existing power plants. In the rule, the EPA proposes enforceable CO<sub>2</sub> performance goals that are based on a bottom-up, multi-factor analysis that reflects a system-wide approach including natural gas re-dispatch, renewable energy deployment, and demand-side energy efficiency. The goals take the form of state-wide carbon intensity rates for the state's electric power sector. Each state's goal reflects an emissions target (stated as a lbs/MWh of generation) that EPA has determined to be reasonable based upon the theoretical application of the "Best System of Emission Reduction" ("BSER") for fossil-fueled power plants. EPA proposes that the BSER for existing power plants is the combination of four emission reduction strategies, which the Proposed Rule terms "building blocks." The factors (or "building blocks") used in calculating the performance goals include:

1. **Heat rate improvement at existing coal-fired power plants.** EPA sets a goal of a six percent heat rate improvement, relative to 2012 average rates, at existing coal-fired power plants.
2. **Increased utilization of existing natural gas combined cycle ("NGCC") units.** EPA calculates a potential emission rate improvement for each state assuming all existing and under construction NGCC (as of the proposal) have a capacity factor of 70 percent. The calculated increase in NGCC generation is used to back out megawatt-hours ("MWh") from coal-fired steam boilers using 2012 generation data.
3. **Continued and increased operation of zero-emitting generation.** EPA calculates the generation (in MWh) of electricity associated with existing and projected renewable energy as well as "at risk" and under construction nuclear capacity. The calculated generation by zero-emitting sources in 2030 is added to the denominator of the goal, resulting in a lower emission rate.
4. **Increased demand-side energy efficiency.** Based on its analysis of existing energy efficiency program savings, EPA estimates that 1.5 percent annual incremental savings is achievable by all states given adequate time. Estimated cumulative savings for each state in 2030 is added to the denominator of the goal, resulting in a lower emission rate.

The proposal directs states to submit plans for meeting their goals. States may also work together to submit a single, coordinated multi-state plan. States and multi-state groups have a June 2016 deadline for submitting their plans, with the possibility of a 1- or 2-year extension depending on the plan type. Under the proposed rule, each state's plan must be approved by the EPA, based on modeling projections by the state that demonstrate, to the agency's

satisfaction, that the plan will be adequate to meet EPA's determination of the state's interim and final goals. State plans do not need to rely upon the four building block measures EPA used to construct each state's goal. Rather, each state has relatively broad discretion to determine the policy measures on which it will rely to meet its goal.

Under the EPA's calculations, by 2030 the state of Idaho must achieve CO<sub>2</sub> emission reductions of 33 percent (based on 2012 emission data). The only building blocks applicable to the state of Idaho for CO<sub>2</sub> emission reductions are building blocks 3 and 4 because the state of Idaho does not have any coal-fired generating units.

Comments on the proposed rule are due October 16, 2014, and Idaho Power is working alongside a number of state agencies to draft Idaho-specific comments and the Coalition for Innovative Climate Solutions to draft more broad-based comments, both of which will be submitted to the EPA on or before October 16, 2014. The Company does not know the extent to which the rule will affect the Jim Bridger plant; however, the Company will be modeling a variety of CO<sub>2</sub> cost scenarios in its updated Coal Study that will evaluate the cost-effectiveness of the SCRs under the pending regulation.

The final rule is expected by June 2015 with a deadline of June 2016 for the states to issue their State Implementation Plans ("SIP"). It is currently estimated that approval or disapproval, from the Federal EPA, of the SIPs will occur in the 2016-2018 timeframe.

#### Clean Water Act Section 316(b)

On August 15, 2014, the final 316(b) rule: "National Pollution Discharge Elimination System—Final Regulations To Establish Requirements For Cooling Water Intake Structures at Existing Facilities and Amend Requirements at Phase I Facilities" was published in the Federal Register.

To determine what, if any, actions will be required to comply with this regulation, PacifiCorp and Idaho Power will cause studies to be performed at the Jim Bridger Power Plant prior to consultation with the State of Wyoming Department of Environmental Quality. Because the Jim Bridger Power Plant utilizes a closed-cycle cooling system (cooling towers), this rule is initially expected to have a minimal impact to the plant.

#### **Idaho Power's Coal Study Update:**

An update to the Coal Study is in progress and will be included with the filing of the 2015 IRP.

#### **Construction Progress Update:**

The project to install the SCR controls on Jim Bridger Units 3 and 4 is moving forward as planned and is on schedule to meet the required completion dates. The following section provides a high level description of the construction activities since the last quarterly report (which provided an update through May 30, 2014).

Babcock & Wilcox (the Engineering, Procurement, and Construction Contractor) received and completed review of the final test report from Nels Consulting Services on the physical flow model test. This report has been provided to PacifiCorp and Idaho Power. The report confirmed that the existing design will meet the performance criteria for critical flow areas in the SCR flues and catalyst.

The NO<sub>x</sub> emission monitoring system passed factory acceptance test on July 30, 2014.

The SCR module fabricator has shipped 10 of the 40 SCR modules for Unit 3. Shipments have been delayed a few weeks due to lack of space in the SCR storage (laydown) space; however, most of the modules have been completed and have either shipped or are ready to ship. This delay will not impact the in-service date of the Unit 3 SCR.

Excavation and foundation work has begun in the ammonia receiving area storage tank, mechanical equipment skids, and electrical building foundation.

All Unit 3 structural steel has been received from Merrill Iron and is onsite. Erection of Unit 3 structural steel continues at a pace to keep the project on schedule. At the end of July 2014, over 45 percent of the Unit 3 steel tonnage has been set. Assembly of the Unit 3 SCR inlet flue module continues; the Unit 3 outlet flue module assembly has been completed and the outlet flues have been installed on the support structure.

Unit 4 structure foundations were completed on July 8<sup>th</sup> and steel erection started on August 18, 2014. All Unit 4 structural steel baseplates have been received onsite.

All other equipment deliveries continue to remain on schedule.

#### **Schedule:**

The project remains on schedule to comply with the required completion dates with the following major milestones:

- Physical Flow Model Demonstration – Completed May 8, 2014
- Unit 3 SCR Area Foundation Installation – Completed May 30, 2014
- Unit 4 SCR Area and Induced Draft fan Foundation Installation – November 14, 2014
- Unit 3 Fall Outage Start – September 5, 2015
- Unit 3 Mechanical Completion – November 5, 2015
- Unit 3 Compliance deadline – December 31, 2015
- Unit 4 Fall Outage Start – September 3, 2016
- Unit 4 Mechanical Completion – November 3, 2016
- Unit 4 Compliance deadline – December 31, 2016

#### **Conclusion:**

The installation of SCR controls at Jim Bridger Units 3 and 4 remains on schedule and under budget. Based on what is known today, the SCR investments continue to be the most cost-effective means of ensuring that Units 3 and 4 comply with state and federal emissions regulations. Further, the Company continues to believe that the Jim Bridger SCR investments represent the lowest cost and least risk option for serving future customer demands.



## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 3<sup>rd</sup> day of September 2014 I served a true and correct copy of the within 3<sup>RD</sup> QUARTERLY REPORT FOR THE JIM BRIDGER SCR UPGRADE AT UNITS 3 AND 4, upon the following named parties by the method indicated below, and addressed to the following:

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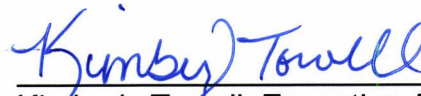
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